

Kenya's Listed Banks H1'2023 Report, & Cytonn Weekly #38/2023

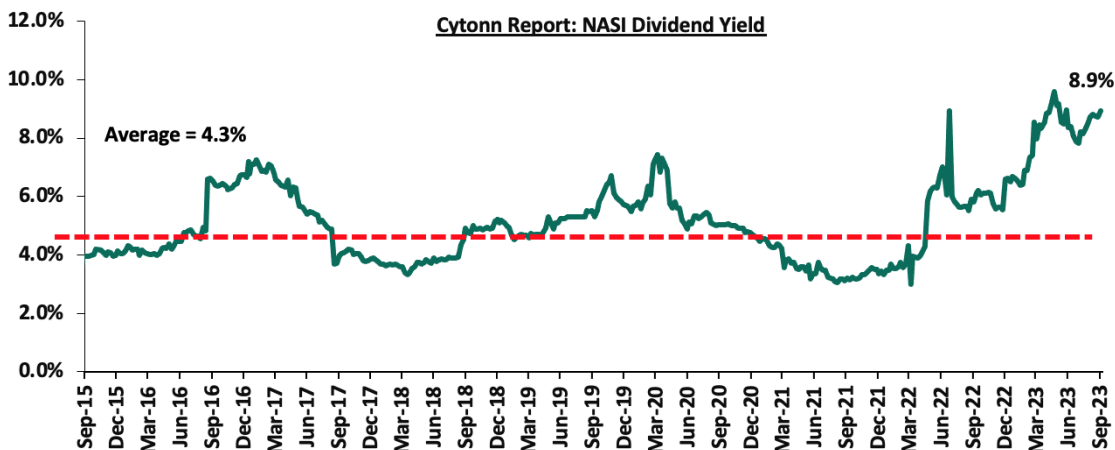
Equities

Market Performance:

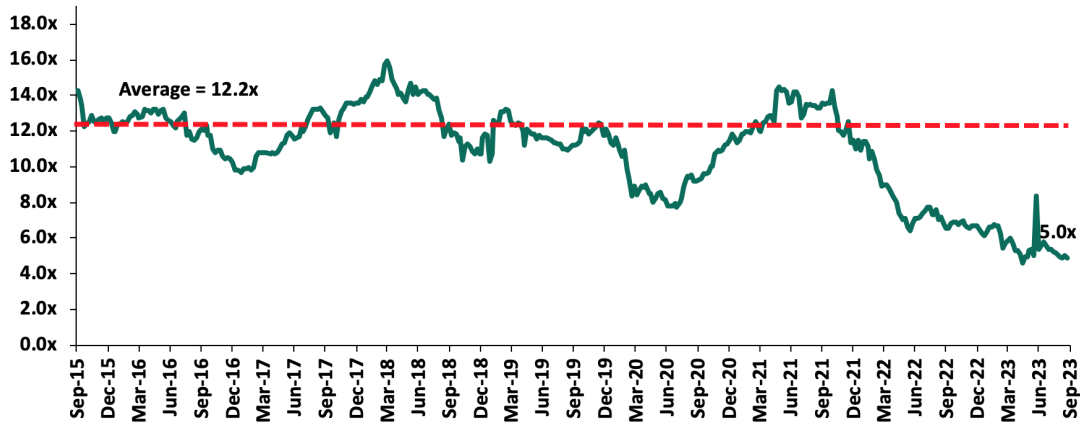
During the week, the equities market was on a downward trajectory, with NASI declining the most by 2.2%, while NSE 25, NSE 10 and NSE 20 declined by 1.5%, 1.4% and 0.8% respectively, taking the YTD performance to losses of 24.0%, 9.3%, and 20.2% for NASI, NSE 20, and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large-cap stocks such as Safaricom, Bamburi and DTB-K of 4.8%, 3.5% and 3.3% respectively. The losses were however mitigated by gains recorded by stocks such as Standard Chartered Bank-Kenya, ABSA Bank and EABL of 2.2%, 0.9% and 0.8% respectively.

During the week, equities turnover increased by 17.2% to USD 8.9 mn from USD 7.6 mn recorded the previous week, taking the YTD total turnover to USD 569.2 mn. Foreign investors remained net sellers for the fourth consecutive week with a net selling position of USD 3.9 mn, from a net selling position of USD 0.8 mn recorded the previous week, taking the YTD foreign net selling position to USD 281.5 mn.

The market is currently trading at a price to earnings ratio (P/E) of 4.9x, 60.0% below the historical average of 12.2x. The dividend yield stands at 8.9%, 4.6% points above the historical average of 4.3%. Key to note, NASI's PEG ratio currently stands at 0.6x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market is overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued. The charts below indicate the historical P/E and dividend yields of the market;



Cytonn Report: NASI P/E



Universe of coverage:

Company	Price as at 15/09/2023	Price as at 22/09/2023	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group***	22.3	22.4	0.2%	(41.7%)	41.3	8.9%	93.6%	0.4x	Buy
Liberty Holdings	3.7	3.8	1.3%	(25.4%)	5.9	0.0%	57.4%	0.3x	Buy
Jubilee Holdings	199.5	180.8	(9.4%)	(9.1%)	260.7	6.6%	50.8%	0.3x	Buy
Equity Group***	37.4	36.9	(1.3%)	(18.1%)	51.2	10.8%	49.5%	0.8x	Buy
Kenya Reinsurance	1.8	1.8	0.0%	(2.1%)	2.5	10.9%	48.1%	0.1x	Buy
Sanlam	7.2	7.2	(0.6%)	(25.1%)	10.3	0.0%	43.3%	2.0x	Buy
NCBA***	37.4	37.3	(0.4%)	(4.4%)	48.9	11.4%	42.6%	0.7x	Buy
Co-op Bank***	12.0	11.8	(1.3%)	(2.5%)	15.0	12.7%	39.4%	0.6x	Buy
ABSA Bank***	11.8	11.9	0.9%	(2.9%)	14.7	11.4%	35.2%	1.0x	Buy
HF Group	4.6	4.5	(2.8%)	41.6%	5.8	0.0%	30.3%	0.2x	Buy
Stanbic Holdings	110.5	111.0	0.5%	8.8%	127.9	11.4%	26.5%	0.8x	Buy
Standard Chartered***	159.5	163.0	2.2%	12.4%	183.9	13.5%	26.3%	1.1x	Buy
Diamond Trust Bank***	49.8	48.0	(3.5%)	(3.7%)	54.6	10.4%	24.1%	0.2x	Buy
I&M Group***	18.1	17.5	(3.0%)	2.6%	19.5	12.9%	24.1%	0.4x	Buy
CIC Group	2.2	2.1	(1.8%)	11.5%	2.5	6.1%	23.5%	0.7x	Buy
Britam	5.2	4.9	(6.4%)	(6.7%)	6.0	0.0%	23.1%	0.7x	Buy

We are “Neutral” on the Equities markets in the short term due to the current tough operating environment and huge foreign investor outflows, and, “Bullish” in the long term due to current cheap valuations and expected global and local economic recovery.

With the market currently being undervalued to its future growth (PEG Ratio at 0.6x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the equities outlook in the short term.